

United Nations
**GENERAL
ASSEMBLY**



SECOND COMMITTEE, 201st

MEETING

Monday, 3 November 1952, at 10.30 a.m.

SEVENTH SESSION

Official Records

Headquarters, New York

C O N T E N T S

	<i>Page</i>
Economic development of under-developed countries (A/2171, chapter III, A/2192 and A/C.2/L.155) (<i>continued</i>)	47
(a) Financing of economic development of under-developed countries: report of the Economic and Social Council (A/C.2/L.154 and Corr.1 and A/C.2/L.157) ;	
(b) Methods to increase world productivity: report of the Economic and Social Council ;	
(c) Land reform: report of the Secretary-General (A/2194) ;	
(d) Technical assistance for the economic development of under-developed countries (A/C.2/L.156 and Corr.1)	

Chairman: Mr. Jiří NOSEK (Czechoslovakia).

Economic development of under-developed countries (A/2171, chapter III, A/2192 and A/C.2/L.155) (*continued*)

- (a) Financing of economic development of under-developed countries: report of the Economic and Social Council (A/C.2/L.154 and Corr.1 and A/C.2/L.157) ;**
- (b) Methods to increase world productivity: report of the Economic and Social Council ;**
- (c) Land reform: report of the Secretary-General (A/2194) ;**
- (d) Technical assistance for the economic development of under-developed countries (A/C.2/L.156 and Corr.1)**

[Item 25]*

GENERAL DEBATE (*continued*)

1. Mr. MEYER (Cuba) said he would like first to point out that the Cuban delegation was not one of the co-sponsors of the draft resolution contained in document A/C.2/L.156, as mistakenly indicated in that document.
2. The social injustice and economic inequalities prevailing in the world were at the root of the considerable economic difficulties which all countries were experiencing and were one of the reasons for the existing international tension. He hoped that through the United

* Indicates the item number on the agenda of the General Assembly.

Nations those problems could be resolved, thus raising the standard of living of the peoples of the world and, more particularly, facilitating the economic development of the under-developed countries. Economic development should be integral, affecting all branches of the economy in the countries concerned, and, a condition absolutely essential to its success, all the under-developed countries, without exception.

3. The countries which, like Cuba, had an economy based on the production and export of a limited number of primary commodities and consumer goods were watching with increasing concern the restrictive tendencies that were becoming more and more of a hindrance to international trade. The barriers set up and maintained through subsidies or high tariffs—often for the sole purpose of protecting uneconomic crops—were considerably delaying and disturbing the normal distribution of the consumer goods and basic products which constituted the principal source of wealth of the under-developed countries. Those restrictions, in conjunction with the inconvertibility of currencies, were at the same time symptoms and consequences of the existing world tension. Accordingly, all governments should increase their efforts to liberalize international trade. The methods adopted in the past to achieve that result were obviously inadequate.

4. The primarily agricultural economy of Cuba, which was largely based on a single product, was extremely sensitive to the fluctuations of world markets. The stability of the world economy was of extreme importance for the country's own stability. Cuba needed

regular markets to absorb its products, stable and remunerative prices and customers with the necessary means of payment. In order to build up its economy on sounder foundations, Cuba was striving to diversify its agriculture without thereby reducing the production of the commodities in the production of which it had traditionally specialized; and it was seeking progressively to develop its industry. Cuba, therefore, would be unstinting in its participation in efforts to conclude international agreements relating to basic commodities. Such agreements, indeed, were indispensable to the stabilization of world trade.

5. He then dealt with the problem of the economic financing of under-developed countries. Since those countries did not have their own financial means for carrying out their development plans, the international financing of those programmes was an unavoidable necessity. The most practical and least costly method of international financing was certainly the investment of foreign private capital in national enterprises side by side with the investment of domestic private capital. But then the question arose of creating an atmosphere likely to attract such capital. On the one hand, the under-developed countries were afraid—and their fears in that respect had often been justified—that the foreign capitalists might gradually reach the point where they controlled the country's principal sources of wealth and so threatened its economic and political independence. On the other hand, the foreign capitalists were afraid of expropriation, restrictions on the repatriation of their capital or profits, monetary controls and similar difficulties.

6. He was convinced that great progress would be made toward establishing a favourable climate if foreign capitalists were content with reasonable profits and invested their capital only in conjunction with and under the control of domestic capital, or, at all events, if the second condition were not immediately realizable, in such a way as to enable national enterprises to acquire it gradually. Under those conditions, the under-developed countries would certainly not hesitate to offer foreign capital the necessary guarantees and to treat it on a par with national capital. He was even convinced that, on the American continent, the conditions likely to produce a climate favourable to the investment of foreign capital already existed. The countries of the Americas were indeed bound to each other by the family likeness of their regimes, which were based on the same legal tenets and on the same principles, and in addition, by the Organization of American States, an effective instrument to prevent any act of political or economic aggression by collective action. Once an atmosphere of confidence was established, the process of mutual comprehension would steadily develop.

7. During the previous fifty years, private capital had played a large part in Cuba's economic development and had helped to establish a prosperity which had led to a distinct improvement in living conditions. To illustrate his point, he quoted some figures. In 1902, imports had amounted to 60,500,000 pesos and exports to 66,300,000 pesos. In 1951, imports had amounted to 630,400,000 pesos and exports to 767,000,000 pesos. The national income had risen from 468 million pesos in 1938 to 1,860 million pesos in 1951, while *per capita*

income had increased from 106 pesos in 1939 to about 358 pesos in 1951. After having been exploited as a colony for years, Cuba was on the way to consolidating its economic independence through the efforts and industrious and enterprising spirit of its inhabitants. Thus, Cuba was opening wide its doors to foreign capital which did not infringe its independence as a sovereign State and giving such capital the same treatment as Cuban capital.

8. Recognizing, furthermore, that the financing of non-self-liquidating projects of economic development, particularly projects relating to communications, public health, education and the like, could not be achieved by means of private capital, the Cuban delegation had voted for the adoption of General Assembly resolution 520 A (VI) relating to the establishment of a special international fund for grants-in-aid and low-interest, long-term loans to under-developed countries. Similarly, it had voted for the adoption of resolution 416 A (XIV) in the Economic and Social Council. It would also support the draft resolution (A/C.2/L.154 and Corr.1) submitted by the Chilean delegation. In that connexion, he would like to make two observations: in the first place, the authority administering the special fund would have to make sure, in extending economic aid to the countries requesting it, that non-self-liquidating projects essential for its economic development or projects to accelerate its economic development for those being given grants or loans, were of the highest priority and necessity among such projects, in a plan for the overall development of the country. Secondly, it should primarily provide grants-in-aid, giving loans only in cases where it was certain that the additional burden which their service represented would not weigh too heavily on the economy of the recipient country.

9. With regard to the international finance corporation referred to in Council resolution 416 C (XIV), the Cuban delegation was eagerly awaiting the report of the Bank on the subject. The establishment of the corporation on an acceptable basis would facilitate the economic development of the under-developed countries because they would then have access to a new source of capital. The corporation, whose loans would not be contingent on government guarantees, could invest its capital more rapidly in economic sectors for which the Bank, under its Articles of Agreement, could not grant loans.

10. The Cuban delegation had voted for the adoption of Council resolution 416 D (XIV) on fiscal incentives to increase the international flow of private capital for the economic development of under-developed countries. One of the obstacles to the flow of such capital, indeed, was double taxation. Some countries were of the opinion that, if discrimination against exporting countries was to be avoided, the capital should not be taxed only in the countries in which it was invested. He felt that the capital-exporting countries should rather bear in mind their future profits which the economic development of the under-developed countries would yield and which would far outweigh any possible initial injury. He hoped the Fiscal Commission, which was to consider the problem, would take that point of view into account. He also suggested that perhaps the International Monetary Fund might place at the disposal of the

Bank, for the purpose of increasing the volume of the Bank's loans, the considerable funds which it was unable to use freely owing to certain international currency difficulties.

11. Since the question of the establishment of a special fund and an international finance corporation and questions of a fiscal nature affecting the international flow of capital were currently being studied by bodies which were to report to the fifteenth session of the Economic and Social Council, the Committee was not expected to make many decisions on that point. Since, however, those questions were of special importance and urgency, the Cuban delegation was going to submit a draft resolution asking the Council to report to the General Assembly's eighth session on the results of its studies, so that the Assembly could decide whether it was advisable to convene a conference to be attended by the governments of the economically developed countries and the governments of the under-developed countries with a view to giving effect to the measures proposed in earlier resolutions and to the measures to be proposed on the completion of current studies.

12. The question of increasing world productivity involved certain material factors. Internally, the under-developed countries should endeavour to produce more of the food needed by their peoples and so limit food imports and the consequent losses of currency. Cuba, for example, had to import four-fifths of the rice it consumed. Internationally, the countries exporting basic commodities would only be able to increase their production if the world market was stabilized. In the case of those countries, a higher productivity should be synonymous with increased industrialization, so that they should themselves be able to convert the primary commodities which they extracted from their soil.

13. He then proceeded to deal with the question of land reform, which was one of the most effective means of transforming the colonial structure of the under-developed countries. If the yield of the land and the growers' standard of living was to improve, all countries should speedily introduce land reforms suited to local conditions. It would not be enough for the agricultural workers to possess land; they also had to have access to the material and economic resources necessary for working it. To solve that problem Cuba had recently established the Agricultural and Industrial Development Bank, the functions of which were, among others, to grant loans to farmers. The Cuban delegation would express its detailed views on the matter in due course.

14. Lastly, commenting on the question of technical assistance, he said that such assistance was indispensable to the economic development of the under-developed countries, which had neither the financial resources necessary for preparing and executing development plans nor the trained staff and technicians required for carrying such programmes into effect. The fact that, through its Expanded Programme of Technical Assistance, the United Nations had resolutely set to work on the problem and had already achieved very encouraging results showed that the economically developed countries were today realizing that their prosperity and world peace were bound up with the economic development of the under-developed countries.

15. As a member of the Economic and Social Council, Cuba had taken part in the discussions of the Technical Assistance Committee and had been able to note the progress achieved. It had also taken part in the reform of the Technical Assistance Board, which, with its new Executive Chairman who would be concerned exclusively with the Expanded Programme, would be able to act still more effectively and rapidly than in the past. He hoped that all interested countries would make substantial financial contributions to the Expanded Programme. He was sorry to observe that the contributions during the first financial year had been larger than in the following year even though the number of participating countries had increased from 55 to 65.

16. Cuba had received technical assistance from the United Nations in drawing up its development plans. Under the United Nations regular technical assistance programme, experts had assisted the country to reorganize its statistical and national income services. In 1950, at the request of the Cuban Government, the Bank had sent to Cuba a mission of experts with instructions to study the country's economic problems and its possibilities of development. The Cuban Government had asked for a group of experts who were already functioning for the purpose of studying the means of executing the development schemes prepared, on the basis of the Bank's report. Some of the recommendations made in the report of the Bank's experts were already being applied.

17. In conclusion, he stated that the most serious problem which Cuba had to face in its economic development was that of chronic unemployment suffered by a large section of its population, whose income depended on the sugar industry. It was to resolve that problem that Cuba had to diversify its agriculture and press forward with its industrialization. That was the purpose of the development plans which Cuba was preparing with the aid of the United Nations technical assistance services.

18. Mr. COHN LYON (Dominican Republic) said that his delegation was following with great interest the Second Committee's discussion on the economic development of the under-developed countries. It was legitimate to hope that the Members of the United Nations would take concerted and specific action to accelerate the economic development of those countries and to bring about a better balanced international economy.

19. He was in favour of the establishment of a special fund for long-term, low-interest loans. The example of the Dominican Republic showed that great progress could be made, given determination, intelligently planned programmes and the rational utilization of resources. To offset the shortage of domestic capital and the timidity of foreign investors, the State had set up industrial enterprises which it had later gradually transferred to private ownership. It had also granted some fiscal relief both to domestic and to foreign capital invested in manufacturing industries or agricultural development.

20. At the time of the 1930 depression, the position of the Dominican Republic had been extremely weak. The total interest payments on the external debt had been more than four times the amount of capital bor-

rowed. The country had lacked means of communication. It had not been in a position to develop its agriculture or to make proper use of whatever capital it might have been able to obtain. It had lacked a banking system capable of regulating credit. In 1930, the population of the Dominican Republic had been 1,250,000. Only 10 per cent of the country's land had been cultivated, and the main crops, sugar, cocoa, coffee and tobacco, had been commodities of comparative importance to its export trade. The value of exports had been 18 million pesos and the value of imports 15 million.

21. Since 1930, the Government had given effect to a programme of economic development the results of which had soon been felt. The Dominican Republic had completely repaid its foreign debt. It had four ports capable of accommodating large ships. It had an extensive communications network and irrigation system. Fertilizer factories, meat and fruit canning plants and textile mills had also been established. There was a hydro-electric plant with an output of 76,000 kilowatt hours a year and each of the principal towns had a power station and electricity distribution system. By 1950 the population of the Dominican Republic had risen to 2 million; 40 per cent of the country's total land area had been brought under cultivation. The value of exports had risen to 83,500,000 pesos and the value of imports to 42,900,000 pesos. In December 1954 the State had set up the Dominican Reserve Bank, a semi-governmental institution, with a capital of one million pesos, half of which had been subscribed by the State. The Agricultural and Industrial Credit Bank, which had been set up in June 1945, issued bonds guaranteed by the Reserve Bank for the financing of agricultural and industrial expansion and the construction of low-cost housing. In 1947, the State had established the Central Bank of the Dominican Republic and introduced a new monetary system.

22. In regard to land reform, as early as 1932, the Government had adopted legislation providing for the distribution of State-owned land to farmers who had previously had no holdings. The legislation had been amended in 1943 and in 1948; as a result, farmers who satisfactorily cultivated the land distributed to them would receive it in full ownership after ten years. Those measures were largely due to the initiative of President Trujillo and had been supplemented by the technical assistance which the United States and almost all the countries of Latin America had furnished to the Dominican Republic.

23. In spite of those achievements the Dominican Republic was still an under-developed country. Its economy was based essentially on agriculture, more especially on the sugar industry which accounted for 50 per cent of the national income. At the moment the foreign markets that had been taking Dominican sugar were showing a disquieting tendency to contract, which was a matter of grave concern to the Dominican Republic, especially since the discriminatory measures adopted by the United States were impeding its access to the North American market. He had, however, complete faith that the goodwill and sense of justice that should prevail in international relations would pave the way to a better future.

24. Mr. DE SEYNES (France) noted that the Committee had no new problems on its agenda at the current session and could, he thought, have concentrated on disposing of the questions already before it. Nevertheless, the general debate had not been useless. The positions taken by the various delegations at successive sessions changed and were in some cases completely different. As the Chilean representative had rightly remarked, the discussion would undoubtedly help to educate world public opinion.

25. That was not a negligible contribution. In France, more and more institutions of learning were giving prominence to the problems with which the Committee was concerned. To achieve further progress in the international field as well as on the national level it was necessary to educate public opinion and secure its support for the bold measures that were required.

26. The discussion raised sociological as well as economic problems. The question was which method would have the desired effect upon public opinion. The replies to that question varied with the personal outlook of the speaker. Some representatives, deeply moved by the sight of desperate poverty, argued that the situation was growing worse. Others sought to assure themselves that the work in which the United Nations was engaged was solid and substantial and naturally tended to stress the results already achieved and the progress being made.

27. It was wrong to think that the "optimists" saw only one aspect of the situation and that only the "pessimists" could grasp the situation as a whole. It was not true that the use of general data gave a more accurate and comprehensive picture of the situation as a whole. General data would indeed give the impression that conditions in the under-developed countries were more or less uniform. In fact, from the mass of information available to them, the members of the Committee chose only those facts which illustrated certain facets of the situation.

28. Many representatives had rightly laid stress on the forces which were depriving a still growing number of men and women of minimum living standards. There could be no doubt that in many countries, particularly in Asia and the Far East, the sometimes tragic situation seemed to justify the most profound pessimism. In those countries, prospects of improvement were obviously dependent on the execution of large-scale works which could not be carried out without substantial external assistance.

29. Elsewhere, however, the play of economic and demographic forces was more easily controllable and the situation could be remedied by less costly and speedier methods. In some of those countries, war-time isolation and the temporary closing of certain export markets had resulted in a fairly sudden rapid and unplanned increase in the consumption of foodstuffs. Under the stimulus of war-time isolation and the bitter memory of the depression years, those countries had sought to satisfy their legitimate desire for industrialization to which they had devoted the greater part of their energies. As a result, agricultural production as a whole had substantially declined. It was, however, encouraging that the balance was being redressed and that governments and international agencies seemed to

be paying greater attention to the development of agriculture than they had done during the early post-war years. In that connexion, mention should be made of the action taken by the Economic Commission for Asia and the Far East at its most recent session.

30. Agricultural productivity was of course still low in the under-developed countries as a whole. Domestic capital formation was a difficult problem in the predominantly agricultural countries. The expression "predominantly agricultural countries" required definition. According to a study entitled *Volume and Distribution of National Income in Under-Developed Countries* (E/2041), published by the Secretariat in 1951, which dealt with twenty under-developed countries in different regions, only three countries derived more than half of their national income from agriculture. The report showed that a substantial part of the national income of several of those countries came from sectors in which productivity was much higher than in agriculture. It followed that in countries which were rightly described as predominantly agricultural, there were sources of capital formation other than agriculture which had not yet been fully tapped.

31. The export trade was obviously one of the main sources for the financing of economic development. In some countries the *per capita* national product had substantially increased, in all probability as a result of the foreign exchange obtained from exports. The Executive Secretary of ECLA had estimated that in Latin America the annual increase from 1946 to 1950 had been 3.5 per cent as compared with 1.4 per cent in the preceding five years. The prospects in the export trade, which were closely linked with the terms of trade, were, however, a matter of grave concern to the under-developed countries. In his remarkable statement at the previous meeting, the Argentine representative had taken a pessimistic view.

32. Citing a number of figures from the report of the Secretary-General on "Relation of fluctuation in the prices of primary commodities to the ability of under-developed countries to obtain foreign exchange" (E/2047) which showed the average year to year fluctuations in the income from thirteen export commodities, he noted that they showed the need for caution in drawing conclusions regarding the course of the terms of trade.

33. The Argentine representative had argued that lower costs due to higher productivity in countries supplying raw materials would not be reflected in a corresponding expansion of markets owing to the inelasticity of the demand for primary commodities in the industrial countries. Part of the population would have to leave primary production and seek employment in industry. That would require higher imports of equipment and further widen the gap between import capacity and import needs. In the long run it was the countries utilizing primary products which would benefit from higher productivity in the producing countries.

34. Certain data contained in document E/2047 suggested that that development was not always inevitable. The Secretariat had concluded from the data that in periods of falling prices the volume sold had in general increased so that the increase had at least to some extent offset the effects of lower prices.

35. That conclusion did not, of course, wholly refute the argument of the Argentine representative. Nevertheless, in dealing with so complex a problem it was well to consider encouraging signs as well as grounds for alarm. Among other encouraging features, he referred to a statement by the Executive Secretary of ECLA who had pointed out that between 1946 and 1950 the terms of trade of the Latin American countries had improved by 66 per cent as compared with the annual average for 1930-1940. The Paley report also contained a number of encouraging facts. According to that report it was likely that in some cases the demand for various commodities would increase by 25 per cent and in others by 400 per cent. In addition, there would be sharper competition in the sale of manufactured goods as a result of the increase in the productive capacity of many countries and the appearance of German and Japanese manufactured goods in certain markets. It was likely that the terms of trade would move in favour of countries exporting raw materials.

36. Still, it would be wrong to minimize the importance of short-term fluctuations which could seriously dislocate the economic position of the under-developed countries, a fact which had been stressed by the group of experts in their report to the fourteenth session of the Economic and Social Council on *Measures for International Economic Stability* (E/2156). Everything possible should therefore be done to reduce short-term fluctuations. In that connexion, the United States representative led the Council at its fourteenth session to understand that his Government would be prepared to consider the conclusion of agreements covering commodities which were currently scarce as well as commodities of which there was a surplus. At that session the members of the Council had approved action to stabilize the prices of primary commodities. An agreement had been reached with regard to the principle, and difficulties of application should not be considered sufficient reason to justify inaction.

37. In the present discussion, although certain members had expressed doubt regarding the participation of private capital in the financing of economic development, others had been very hopeful. In that connexion mention should be made of the statements of the representatives of Haiti, Mexico and Colombia.

38. In the case of France, the share of private capital in the financing of plans for the development of overseas territories had increased steadily. Under the ten-year plan, one-third of the capital was to be provided by private investors and the remainder from public funds. Those expectations had not been fulfilled during the early years of the plan but the accumulated deficit seemed to be in the process of being absorbed as the completion of basic works created conditions favourable for the establishment of privately owned undertakings.

39. The investment of funds from the metropolitan country in a monetary area including overseas territories did not, of course, raise the same problems as investments abroad. In that field, the part played by French capital although still small, was not insignificant. The representative of Colombia had referred at the previous meeting to undertakings of vital importance to that country in which French capital had been invested. Such financial assistance did not necessarily

take the form of investments in the traditional sense; but credit facilities for the supply of equipment, repayment to be spread over a period more or less equivalent to the period of amortization of the equipment, were virtually a form of investment.

40. The introduction of new methods of financing was one example of the new attitude of private investors. Admittedly the interests of foreign investors at times clashed with national aspirations. Private capital tended to prefer investment in the extractive industries and it would be unfortunate if it ceased to take an interest in them. The countries concerned were, however, rightly anxious to retain control of their basic resources and to use the profits from their exploitation for other economic development needs. Such contradictions had occasionally been exacerbated to the point of a breaking off of relations, but that was not generally the case and there were grounds for hoping that the new behaviour of private capital would facilitate arrangements to eliminate those conditions for the mutual benefit of the parties concerned.

41. The French representative did not want to deal with the questions of the establishment of an international finance corporation and a special fund which were to be discussed by other organs. He merely wished to point out that the French Government's comments on the two schemes, far from being objections on principle, had been based on historical factors which were unlikely to disappear in the near future. The French Government had in fact followed the same principles in financing the development of its overseas territories. Overseas development was financed through an investment fund for economic and social development (FIDES) and by long-term low-interest loans to local organizations. The Central Fund of Overseas France was also similar in some respects to the body which the Bank proposed should be formed. The Fund received advances from the French Treasury and made short, medium, and long-term loans to private companies and public or semi-public corporations in the overseas territories. A similar function was filled by two other French Government agencies, the *Crédit Colonial* and the *Crédit National*, with, in some cases, a State guarantee. He recalled that the plan for the development of the overseas territories called for the investment of nearly \$3,000 million, a target which had not been altered in spite of the French Government's armament programme.

42. It was not yet possible to state with certainty how the armament programme would affect the various matters which the Committee was discussing. The Argentine representative had found it incomprehensible that development needs should be subordinated to military aims. The French representative envied the fund of security which had been accumulated in the course of history and which made it possible for such a statement to be made. He hoped that France would very soon be in a position in which it could regard anxiety regarding national defence as absurd and be able to devote further energy to the great enterprise of peaceful co-operation on which the United Nations had embarked.

43. He reserved the right to speak again when agenda item 25 was considered in detail.

44. Mr. MADRIGAL (Philippines) said that it was clear from the many discussions which had taken place in the General Assembly and the Economic and Social Council on the subject of the economic development of the under-developed countries that the time had come to pass from the stage of preparation to that of action. The problem which the United Nations had set itself was ageless. Because of the vicissitudes of history, millions of human beings were living in abject poverty in regions which had cradled the birth of civilization. That fact was not surprising; what was surprising was that adequate solutions had not been applied sooner by international action.

45. He was fully in accord with the Secretary-General when he stated in the introduction to his annual report that the economic and social problems of the under-developed countries were of equal gravity with the "East-West" conflict, and that the strength necessary for peace would be found only if the United Nations recognized national aspirations for freedom, equality and human rights and if it provided genuine hope of progress to the two-thirds of fellow human beings who still lived in poverty but who had learned that that need no longer be their lot and were resolved to put an end to it.

46. The concept of an expanding world economy had many facets. On the one hand, there was the need of the industrial countries to ensure full employment; on the other, the need for establishing world trade on the most equitable basis possible. A further need was the economic development of the under-developed countries, which was the most important single element.

47. The world economy was bound together by the principle of interdependence. Two official documents which had been published recently in the United States lent dramatic emphasis to that international relationship. The first was the Paley report, which stressed that the United States needed the under-developed countries as much as the under-developed countries needed the United States. The second document was that containing the decision of President Truman to organize the Public Advisory Board for Mutual Security "to undertake an investigation of the foreign trade policies of the United States". In the Philippines a possible revision of trade relationships with the United States was under consideration, and it was therefore gratifying to note that the Board's terms of reference included a study of United States tariff policy, import restrictions, including quotas and customs procedures, agricultural policies affecting foreign trade and maritime laws and regulations concerning the carriage of American goods.

48. It was to the credit of President Truman that the Gray and Rockefeller reports, whose vision and scope had been commended in the Assembly by representatives from under-developed countries, had been drafted under his instructions. When the "Point Four" programme and the Mutual Security Administration were added to those achievements, it could be affirmed that President Truman had earned for himself a place of honour in the hearts of millions of free people in many under-developed countries, including the Philippines.

49. The discussions taking place in the United Nations were of merely academic value to the farmer in Iran or the peasant in India. To enlist the peoples of the under-developed countries in the camp of freedom they must be given the feeling that practical action was being taken to accelerate their development and raise their standards of living.

50. The question of more adequate external financing for development projects in under-developed countries was of capital importance; yet that was a matter in which the Economic and Social Council had not particularly distinguished itself, despite a standing directive from the General Assembly. Perhaps the time had not been propitious, for political and other reasons. The Philippine delegation had had no other course during the fourteenth session of the Economic and Social Council than to consent to the establishment of a preparatory committee to plan the special fund for grants and long-term loans to under-developed countries. It was his sincere hope that the Council and the General Assembly would not fail to take prompt action on the recommendations which the preparatory committee would frame in 1953.

51. In supporting the proposals for adequate financial assistance, representatives of under-developed countries had said in the Council during its fourteenth session that the peoples of the under-developed regions expected the United Nations to fulfil its obligations under Articles 55 and 56 of the Charter. They asked not for charity but for a realistic understanding of the dangers inherent in a world half well-fed and half hungry, half secure and half in ferment.

52. The urgent need for an accelerated inflow of private capital to the under-developed countries had been recognized by the General Assembly in its resolution 400 (V). His delegation had been encouraged by the statement made at the Committee's 198th meeting by the representatives of the United States describing the shift in the emphasis of private investment from extractive industries to manufacturing. That enlightened attitude would have a real impact on economic development. The need was not only for increased private capital investment but also for channelling such investment into the branches of activity most likely to promote the economic development of the countries concerned.

53. It appeared that the time might be at hand when the countries of Western Europe could again be counted on as a source of capital. Those countries had been hard hit by the war; but once they had completed the reconstruction to which they had devoted their entire strength in the recent past, they would undoubtedly resume their traditional role as capital exporters.

54. Thus the prospects for private investment were favourable both in the United States and in Western Europe. However they had to be considered in the context of the vast needs of the under-developed countries. If foreign private capital investment failed to keep pace with the development efforts of those countries, the developed countries would be compelled either to lend funds or to give them.

55. So far as the ECAFE region was concerned, a recent study made of the foreign investment laws and regulations of countries in Asia and the Far East showed a tendency towards some relaxation. India

had liberalized its regulations concerning the remittance of dividends and amortization. The Philippine Government granted internal revenue tax exemptions for four years to new and necessary industries. During the most recent session of the Philippine Congress, President Quirino had certified as urgent a bill extending the period of exemption to seven years.

56. That attitude came from the realization that foreign investors in the Philippines had brought with them valuable contributions in equipment and technological skill. Because of the close economic ties between the Philippines and the United States, American investors had been given equal opportunities with Philippine investors in the development of Philippine resources and the operation of public utilities. In 1949 a total capital of \$6 million had been sent to the United States from the Philippines. In 1950, even after a system of exchange controls had been instituted to safeguard the stability of the monetary reserves, some \$4 million had been sent to the United States.

57. To ensure the economic development of the under-developed countries, the inflow of foreign capital must not only be in sufficient amounts; it must flow into the under-developed countries at a sustained rate. The economic history of the United States, which had become the leading creditor nation in the world, illustrated that point: the flow of capital invested in the United States had increased from \$200 million in 1843 to \$2,900 million in 1908. To maintain that sustained flow, not only must new capital enter but old investments must be re-invested.

58. Private capital was generally timid. Even after it had been attracted to a country it must be encouraged to stay, since profits ploughed back stimulated new investment. In that connexion, one problem that had to be overcome was the fact that, after allowing for the risk, investment abroad offered comparatively slender returns as compared with domestic investment. In that situation tax incentives could play a useful part. At the fourteenth session of the Economic and Social Council, the Philippines had co-sponsored a draft resolution later adopted as resolution 416 D (XIV), requesting the Fiscal Commission to further examine the proposal that through unilateral measures or bilateral agreements, income from foreign investments in under-developed countries might be taxed only in those countries, such income being exempt from taxes by countries other than those in which the foreign investments were made. That was a legal concept which had the support of twenty Latin-American States. If the Fiscal Commission's study resulted in recommendations acceptable to the principal capital exporting countries, there was reasonable hope of a significant increase in the flow of private capital to the under-developed countries.

59. The *Report on the Proposal for an International Finance Corporation* which had been presented by the International Bank to the fourteenth session of the Economic and Social Council pointed the way to a solution. His Government supported that proposal in principle. However, many technical details still had to be worked out, and it was to be hoped that after consultation with its members and with other interested governments the Bank would be able to submit to the Economic and Social Council in 1953 a detailed pro-

posals which could serve as a basis for practical action.

60. With regard to the risks of non-convertibility and expropriation, it might be noted that the United States had set up under the Mutual Security Administration, by virtue of agreements concluded with eleven European countries and, more recently, with the Philippines and Nationalist China, a system guaranteeing foreign investment. That method, though limited in scope, offered great possibilities. If the United Nations decided to extend that principle, private investment abroad would undoubtedly be greatly stimulated.

61. The possibilities outlined were not to be regarded as miracle injections to revive under-developed countries from a state of *rigor mortis*. The under-developed countries would not perish if access to private foreign capital was denied to them. However, their economic and social progress would be accelerated if foreign capital joined hands with domestic investment in the promotion of higher living standards and economic stability.

62. The Philippine delegation had always maintained that financial aid was indissolubly linked to technical assistance from the economic point of view. It was interesting to note that whenever a speech was made paying tribute to the achievements of the United Nations, the technical assistance programme was invariably mentioned. The rapid studies made by the United Nations and the specialized agencies in that field had justified the hopes of its proponents and silenced the fears of its critics. At the moment hundreds of United Nations experts were scattered about the globe, disseminating the knowledge which held out hope for progress. Recent decisions in the matter of technical assistance were most encouraging. In 1951, the Economic and Social Council had approved the principle that equipment and supplies should be made available to the under-developed countries at the same time as expert advice, and had manifested increased interest in demonstration centres and pilot projects. At its fourteenth session the Council had given its assent to a proposal, strongly supported by the Philippine delegation, to relieve the under-developed countries of the financial burdens of lodging and *per diem* for experts. That new policy would enable the under-developed countries to receive more experts and send more of their nationals abroad for the purposes of study. At the same time, the Philippine delegation had welcomed the Council's decision to strengthen the administration of the Expanded Programme by appointing Mr. David Owen as Executive Chairman. The Philippine Government's support for the United Nations technical assistance programme had found practical expression in its 1952-1953 budget, which included an appropriation of \$250,000 as counterpart funds to be used in meeting Philippine commitments for the implementation of projects under the Expanded Programme.

63. Many examples had been cited by the Philippine delegation of the striking results that could be achieved with a modest investment. Thus, in the Philippines, a few thousand pesos spent on a loom-weaving project had provided thousands of farm workers with supplementary income during periods of seasonal unemployment.

64. The United Nations could be justly proud of the healthy growth of its collective accomplishments, which constituted an important step towards the achievement of the humanitarian objectives described in Articles 55 and 56 of the Charter.

65. Land reform was another important element in the programme of economic development offering ample scope for international action, particularly in the field of technical and financial assistance, though the main effort had to come from within. Recent events had shown that the under-developed countries were fully aware of the importance of a liberal land reform policy. That had been convincingly demonstrated by Syria, Egypt and Iran. In the Philippines two land resettlement programmes were in operation, both being aimed at promoting the development of the Island of Mindanao, whose natural resources were virtually untapped. In the developed countries the recent decision of the Netherlands Government to authorize the emigration of fifty Netherlands families to Brazil with their herds and equipment might be cited. It was to be hoped that that example would be followed by the other industrialized countries. In August 1951 the United States Government and FAO had sponsored a conference on agricultural problems, at which experts from some fifty countries had pooled their knowledge. Further international conferences of the same kind, even if their terms of reference did not specifically include the legal aspects of land reform, would certainly be of benefit to all those concerned with land problems.

66. He endorsed the Economic and Social Council's efforts to promote world productivity. It was most encouraging that an era had been reached in economic relationships when the highly developed countries were willing to share their technological knowledge with the under-developed countries.

67. The Philippine delegation was impressed with the high quality of the general debate in the Committee. The discussions had shown that opinions were divided not on purposes but on methods. They had also shown that there was always room for hope so long as the United Nations continued to devote its serious attention to the economic development of the under-developed countries.

68. The CHAIRMAN proposed that the Committee should set the time-limit of 6 p.m. on Wednesday, 5 November for the submission of any proposals or draft resolutions relating to agenda item 25.

It was so decided.

The meeting rose at 1 p.m.